

Complying with Virginia's Prompt Payment Requirements

“Prompt Payment Act” History

Enacted in the 1980s, the “Prompt Payment Act” no longer exists as a separate statute.

In 2001, Virginia’s codification process embedded prompt payment requirements into the Virginia Public Procurement Act (§ 2.2-4347 through § 2.2-4356).

The term “Prompt Payment Act” remains in popular use for referring to related portions of the Virginia Public Procurement Act.

Prompt Payment Requirements

- The law requires agencies to pay for delivered goods and services by the "required" due date.
- The "required" due date is established by the terms of the contract.
- If the contract includes no payment terms, then 30 calendar days after receipt of a proper invoice, or 30 days after receipt of the goods or services, whichever is later.

Prompt Payment Requirements

- Virginia law requires 100% prompt payment compliance.
- DOA calculates agency compliance rates each month. Compliance rate = (number of late payments made) divided by (total number of payments made).
- Payments without due dates and interagency transfers are not considered.
- Agencies or institutions with compliance < 95% appear in DOA's quarterly *Report on Statewide Financial Management and Compliance*.

Agency Role in Compliance

- Agencies should have appropriate written policies and procedures.
- Agencies should review CARS reports routinely.
- A “no exceptions” policy applies to Prompt Payment Act compliance.

DOA's Role in Compliance

- Monitor prompt payment monthly
- Prepare Quarterly Report performance statistics
- Send statistics to agencies and institutions quarterly
- Assist agencies

Common Problems (1 of 3)

- Allowing enough processing time
 - 7 work days for non-decentralized agencies (allows for pre-audit reviews, CDS, check writing, and payment by mail or EDI)
 - 4 work days for decentralized agencies (allows for all of the above, except pre-audit reviews)

Common Problems (2 of 3)

- Keying correct calendar year on payments
- Thoroughly reviewing payments before release
- Clearing the CARS error file quickly

Common Problems (3 of 3)

- Anticipating payments with weekend or holiday due dates, which are paid on the last business day prior to weekend or holiday
- Processing payments up to CARS closing date (for example, if CARS February close is on March 8, payments processed up to March 8 are included in February)

Internal Controls

- Ensure receiving report and purchase order match vendor invoice before approval
- Calculate the required payment due date
- Document unacceptable materials and incomplete services on receiving report and take corrective action
- File original payment processing documents for audit
- Review CARS reports for prompt pay compliance

References

- CAPP Manual Topics
 - [20315](#), Prompt Payment
 - [20310](#), Expenditures
- Code of Virginia
 - Virginia Public Procurement Act, [\(§ 2.2-4347](#) through § 2.2-4356.

Contacts

- promptpay@doa.virginia.gov
- 804-225-3804 – voice
- 804-225-2430 – facsimile
- U. S. Mail:

Financial Reporting – Prompt Payment
Virginia Department of Accounts
P. O. Box 1971
Richmond, VA 23218-1971